



# BUSINESS SUBSIDY POLICY & PROCEDURE

Business subsidies are public investments in the City meant to enhance future economic growth, significantly increase the commercial and industrial tax base, create high quality jobs and revitalize business districts, among other public purposes. The City Council has the sole discretion to approve or reject a request for subsidy based on the merits of the project and the overall benefit to the community, using the established criteria as a means of measuring the public purpose or benefit. Other valid examples of public purpose, in addition to those cited above, include the prevention or elimination of slum and blight, fostering improved compatibility of land uses within and among the various zoning districts, providing needed goods and services, remediation of pollution or incompatible land uses and assisting in the development of public improvements of facilities.

Business subsidies will not normally be provided to projects that have the financial feasibility to proceed without public investment. Therefore, applicants for public assistance in an economic development project must demonstrate why the business subsidy is needed with evidence that the project cannot proceed without the benefit of the subsidy. It is imperative the City have accurate information on project costs and the sources and uses of funds to make an informed evaluation of the proposed project on its merits. Additionally, applicants should demonstrate the likelihood of successful operation of the business through market research, business history and other relevant data.

When subsidies are warranted, the level of subsidy should be limited to that amount of investment necessary to bridge the financial gap between the applicants' private capital (personal equity, debt and other financial sources) and the total project costs.

If a particular project does not involve the creation of jobs, but is nonetheless found to be worthy of support because it may remove, rehabilitate or redevelop blighted areas, for instance, it may still be approved as an exception.

All recipients of a business subsidy, in compliance with Minnesota State Statutes, must enter into an agreement with the City stating why the subsidy is needed and the public purpose for the subsidy. It must also include the amount and type of subsidy, and a list of all financial assistance by all other grantors. The agreement must further state measurable, specific and tangible goals, a commitment to continue operations for at least five years after the benefit date, and a description of the financial obligation of the recipient if the goals are not met.

Applicants requesting a business subsidy shall complete and submit an application with a fee and deposit to cover costs associated with evaluating/processing such request. Applicants shall provide requested information for staff analysis to determine their eligibility for a business subsidy, including but not limited to:

- Project description, cost estimates and proforma, and
- Source and amount of primary capital, lender commitment letters if available, and
- Companies base employment numbers and wages, with projections of employment upon receipt of subsidy.
- A business plan with detailed summary and overview of project, including relevant market research, and
- Business history, with three year historical financial statements and two year projections.

**The procedure to receive a business subsidy is as follows:**

- (1) Applicant meets with the Economic Development Director and appropriate City staff to discuss the proposed project. Staff evaluates the project in relation to the City Comprehensive Plan, Zoning Code and other applicable development controls. If a public subsidy is requested an application is provided.
- (2) Applicant submits a completed application, fee/deposit and requested information (listed above).
- (3) City staff and/or financial consultants review the proposal thoroughly and evaluate the project based on the established business subsidy criteria. The evaluation is to determine the need for public subsidy, the public purpose such subsidy would meet and the applicant's ability to successfully complete the project.
- (4) Project is placed on the EDA Agenda for the next regularly scheduled meeting.
- (5) Economic Development Director and applicant present project to EDA Board. The EDA will recommend to the City Council whether or not it is in the best interest of the City to pursue participation in the project with a business subsidy, and if so to what extent.
- (6) Economic Development Director and applicant present the project to the City Council with EDA recommendation.
- (7) If the City Council's direction is to pursue the project with business subsidies, staff will schedule and publish notice of a public hearing consistent with Minnesota State Statute requirements and draft a business subsidy agreement and development agreement.
- (8) A public hearing is held to solicit public comment and input. The City Council acts to either approve or deny the business subsidy. Approval authorizes the City to sign a business subsidy agreement and development agreement – the project moves forward with the subsidy.
- (9) Development begins; business must comply with the terms of the business subsidy agreement, including annual reporting on job creation goals.



# BUSINESS SUBSIDY APPLICATION

**Applicant Information:**

Business name: \_\_\_\_\_

Business structure: (1) Sole Proprietorship, (2) Partnership, (3) Corporation (4) Other \_\_\_\_\_

Address: \_\_\_\_\_

Authorized representative: \_\_\_\_\_

Telephone & Fax: \_\_\_\_\_

E-mail & Website: \_\_\_\_\_

List development consultants name and contact information:

Attorney: \_\_\_\_\_

Accountant: \_\_\_\_\_

Architect/Engineer: \_\_\_\_\_

Contractor: \_\_\_\_\_

**Business/Project Information:**

Description of business operations: \_\_\_\_\_

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Location(s) of current operations: \_\_\_\_\_

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Size of current facilities: \_\_\_\_\_

Current number, type and average wage of employees: \_\_\_\_\_

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**Business Start-up/Relocation/Expansion Needs:**

Description of business, if different from above: \_\_\_\_\_

Size of new facility or planned expansion: \_\_\_\_\_

Number, type and estimated wages of new jobs created with project: \_\_\_\_\_

If no expected job creation, please list public benefit of subsidy, i.e. removal of slum and blight...: \_\_\_\_\_

Anticipated Development Costs – Uses of Funds	Source of Funds			
	Lending Institutions	Equity	*Other	Requested Subsidy**
Land/Building Acquisition				
Architectural, Legal Engineering Fees				
Site Preparation				
Construction Costs				
Machinery/Equipment				
Bldg Rehab/Renovation				
Working Capital				
Inventory				
Other/Contingencies				
<b>TOTAL</b>				

\* MN Community Capital Fund, SE MN Initiative Fund, DEED

\*\* This amount is the “gap” between project costs and all other sources of financing

Signing below authorizes the Cannon Falls EDA to check credit and employment history and/or other information deemed necessary to evaluate and process this application.

Applicant Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Applicant Signature: \_\_\_\_\_ Date: \_\_\_\_\_

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EDA Review and recommendation: Approve \_\_\_\_ Deny \_\_\_\_\_ Date: \_\_\_\_\_

City Council Review and Action: Approve \_\_\_\_ Deny \_\_\_\_\_ Date: \_\_\_\_\_